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Is Transportation A Hard Nut ?

Gandhiji and the Indian Economy

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EDITORIAL - SOME HIGHLIGHTS

I. General Economic Scene

State

Climate and Water

September witnessed a hot and dry period particularly during the last fortnight-with two consequences. First, the state faces the perennial problem of the two to four million acres facing water scarcity this season as in past seasons. This is part of the problem that out of the state's 13 million hectares, only 4 million hectares are under cultivation and even within this limited area only 2.4 million hectares are irrigated through rivers, reservoirs and irrigation tanks and various kinds of wells. It is this situation which gives rise to the proposal for linking the peninsular rivers to solve, in a permanent and continuing fashion, the problems of this water starved state. This involves the surplus available in the Mahanadi (600 tmc) and Godavari (1500 tmc) being let into the Krishna, Pennar and Cauvery in the South. These are long pending proposals which have not been favourably considered because the lack of cooperation between the states-who allow the water to flow into the Bay of Bengal as the surplus water from the west flowing rivers are wastefully discharged in the Arabian sea. Second, though this state has faced a dry fortnight, there have been plentiful rains in Karnataka so that the surplus waters of the Kabini and Krishna Rajasagar have been let into Tamil Nadu. The Mettur dam reached its full level of 124 feet on September 17, its capacity of 93,500 mcft having been reached, calling for advance action floods in the low lying areas along the Cauvery in Salem, Erode, Tiruchi, Thanjavur, Pudukkottai and South Arcot. Here the problem faced by Tamil Nadu is that in some years (both last year and this year) the rains in Coorg (Karnataka) are so heavy that the waters are let into Tamil Nadu. But in most years there is not enough of the monsoon rains, so that Tamil Nadu has to plead with Karnataka to release some 6-12 tmc of Cauvery water, which does not get a response.

Here in the absence of the long term solution of linking the peninsular rivers and in view of the continuing dispute with Karnataka over the sharing of the cauvery waters, Tamil Nadu farmers must be helped to revise their cropping system and replace water intensive crops like paddy and sugarcane by less water demanding crops like millets (cumbu, cholam, varagu, kavooru), coconut, banana. This calls for incentives through the system of support prices and the restructuring of the Public distribution system. These are within our competence and will help farmers to earn a steady income and avoid the kind of wide fluctuations which they now face. Other matters that need to be avoided on the waste of water involved in loading the crops with more water than what is necessary, more use of drip irrigation and the kind of oil slick which was caused by spillage of kerosene during transhipment and which called for salvage and recovery operation by the cast guard and possible call for help from the Maharashtra Pollution Control Board and the UK Seven Trust Water Authority.

Urban Development

Tamil Nadu is the second most urbanised state in the country. There is need to plan this growing urbanisation in order to prevent urban decay of the core areas of Madras, Coimbatore and Madurai etc. and arrest the further proliferation of slums. One important way forward is to build satellite townships around the main metropolitan cities of Tiruchi, Madurai, Coimbatore and Madras. In addition the fast developing townships of Tiruppur, the major textile and hosiery exporting centre, Vellore which has many archaeological landmarks, and Cuddalore fast developing as a fishing and sea side centre need infrastructural facilities to accommodate their expanding population and the rural inflows that they are receiving. For this purpose it is essential that the business houses join with government to develop in the state the type of infrastructure, Leasing and Financial Services, that Bombay has and which for the present can be used by the state to develop these centres. Part of the infrastructure needed is roadways — mainroads, bylanes, highways and ring roads around the five major metropolis referred to earlier, so that traffic moves smoothly with the minimum of stoppage and blocks. Apart from Madras, Madurai is developing a 27 km ring road with the financial aid of the World Bank and a similar facility is now urgently needed in Coimbatore.

State Budget

In the short (1 week) session of the Assembly meeting at September end, the problem of the state finances stand out as a cause for some worry. The finance minister computes that the state will end the year with a deficit of over Rs. 800 crores. This means that there has to be some belt tightening of which there are no signs. The government's populist spending spree continues unchecked with the announcement that by October 15 there is to be distribution of 2.3 lakh dhoties and 1.30 lakh sarees under the free dhoties — saree scheme of last year (see Vol. XXII p. 231). Similarly the government has announced a Rs. 6 crore scheme of nodal villages in all districts, which will quicken the pace of inflation. Another problem area is the revenue dues to government which in 1990-91 amounted to Rs. 508.99 crores of which Rs. 390.11 crores represented uncollected sales tax. In this connection there is no evidence of the tightening up of government tax collection procedures. The

Comptroller and Auditor General in his report calls attention to several lapses in tax collection : c) As on June 1, 1991, 200 inspection reports issued in audit containing 7011 objections involving Rs. 61.36 crores are pending settlement : b) of the above 1312 reports with tax dues totalling Rs. 24.52 crores have been pending for 5 years and more : c) despite recommendations by 4 government committees against grant of exemptions in sales tax, the number of notifications issued for exemption or concession has increased from 61 in April 1959 to 600 in March 1992. In one case the delay in timely renewal of concession intended to boost sales and revenue resulted in tax losses of Rs. 66.12 lakhs. In one public sector company, the state government by issuing an executive order in 1984 waived with restrospective effect, sales tax amounting to Rs. 25.5 crores payable for the period 1-4-80 to 21-1-86. This kind of leaky tax administration and lose budget management needs correction in face of the large deficit facing the government this year: d) of Rs. 7597.86 crores authorised by the Assembly for expenditure in 1989-90, Rs. 366.46 crores were surrendered of the consolidated fund as unspent : and e) supplementary grants obtained during the last 5 years ranged from 15 to 41 per cent of the original budget provisions, provisions surrendered ranged from 14 to 65 per cent of supplementary grants voted, and the actual expenditure resulted in a saving from 15 to 67 per cent of the supplementary provisions showing that supplementary demands are poorly budgeted and tend to be grossly overestimated.

Power

CEA's announcement of the deficit of 11,167 MW in Power and the 19.5 per cent in energy during the current year is not surprising as it is part of the perennial power shortage facing the country leading to the hiking of the power pricing in Karnataka resulted in INDAL closing down its aluminium smelter plant in Belgaum to avoid paying an additional Rs. 24 crore (according to its report), as well as the delay in the entry of the foreign companies which are ready to enter and operate in the power sector (in addition the companies object to supplying the power they generate to SEBs which are to collect the dues from the consumers and pay the companies). This power deficit situation calls for a series of ameliorative actions by government including : a) allowing coal to be imported with the total waiver of customs duty recommended by the Southern Regional Electricity Board to overcome the shortage of supplies to thermal stations : b) exploit to the maximum the record storage in the southern and in particular Tamil Nadu reservoirs, the Tamil Nadu storage is 2272.5 million units against a total capacity of 2393MW and the plentiful hydel reservoirs which has led to withdrawal of all load shedding, c) follow up promptly and vigorously the Rs. 210 crores loan from the World Bank for leasing and sites to prospective private or public sector companies for setting up mini hydel plants at canal falls and irrigation dams; d) push up the plant load factor from the current 68.1 per cent to 72.38 per cent as envisaged by the end of the X Plan, which along with improvement in investment use in electricity generation and distributing the improvement in systems and peak load factors and 92 per cent reduction in energy demand by them and various moves for conservation of energy, all of which could bring more supply in line with demand.

National

Inflation

The state of inflation in August was a 0. 1 per cent; the wholesale price index standing at 226.7 on August 29. As forecast in the last issue, the annual rate of inflation however fell to 9.12 per cent during the week ended August 1 (in the last issue its decline to 9.3 per cent on July 25 was noted). As on September 5, the rate further fell to 7.6 per cent and at this rate the governments' prediction of single digit inflation and its IMF commitment to bring the rate down to 90 per cent in 91-92 (which in effect was 13.3 per cent), and 8 to 6 per cent in 1992-93 seems now to be coming true. And the government states that the price rise of essential commodities is not the primary cause of the inflation as has taken place and puts computation that 29 of those essential commodities with a weight of 23 per cent in the index contributed only 3.20 per cent out of the total inflation rate of 10.90 per cent as of mid July 1992. But the inflation situation is more serious than the above data indicates on several counts : a) the consumer price index for industrial workers has risen by 3 per cent to 247 in July : this rather than the WPI shows the real face of inflation which affects the common man : the table below graphically illustrates the difference between the rates based on WPI and CPI"; the high rates of inflation of CPI compared to WPI and the oppressive rise for agricultural workers may be noted ; b) the single digit inflation rate which is declining to 7.6 per cent on the basis of the latest data is on top of the double digit inflation rate which peaked at 15 per cent last year :

I Month	WPI i) Industrial		CPI ii) Industrial	iii) Agricultura
Feb. 92	12.9 per cent	13.4 per cent	13.0 per cent	20.8 per cent
March 92	13.6 per cent	13.9 per cent	13.6 per cent	21.9 per cent
April 92	13.8 per cent	14.4 per cent	13.5 per cent	32.6 per cent
May 92	13.9 per cent	14.7 per cent	14.0 per cent	23.9 per cent
June 92	13.0 per cent	12.9 per cent	13.2 per cent	21.9 per cent
July 92	10.7 per cent	13.1 per cent		
August 92	8.3 per cent			

c) the 18 per cent rise in petroleum product prices (addition of Re 1 per litre for petrol and diesel and Rs. 15 a cylinder for LPG) and the follow up rise which will follow railway rates as well as the increase in procurement support prices for different crops which are being announced in September have not yet had their impact on prices. The government hopefully states that the steep hike in petroleum product prices which will fetch Rs. 6000 crores in a full financial year, reduced to Rs. 4000 crores because of some concessions and will bring Rs. 1900 crores this year, will cause only a 2 to 2.5 per cent rise in

prices. This is an under valuation and is not based on the alleged "widening deficit of that industry", nor is its justification that "the current prices do not recover the full costs of operation" factually accurate : e) it will be instructive to see if the government forecast that even with all these price increases the inflation rate will be a single digit one at 9 per cent at the end of the financial year.

Budget and Stock Exchange

There is much to be said to prepone the presentation of the Annual Budget to Parliament by a fortnight as is proposed by the government. This will give the parliament a little more time to study, reflect over and debate the budget. But there are two issues which need to be faced and which the additional fortnight that will become available to parliament will not really help. The first is the need to review and discuss in depth each major demand. This cannot be done by the whole parliament, as there are too many members (over 560) to provide a meaningful debate and the appointment of speakers by party is really not very relevant to the subject matter being reviewed. Hence there is need for parliament (Lok Sabha) to set up a number of standing committee (around fifteen) to really go into each demand carefully and not allow the government party majority to vote the demand routinely. A small step in this direction has been taken in setting up some parliamentary committee but there need to make them standing committees and their subjects and terms of references decided and approved by parliament. The second issue is the issue of secrecy of the budget. This really amounts to springing a surprise on parliament and the constituencies that the members represent as well as labour and management groups with regard to the budget and its various parts - taxes, exemptions, market borrowing, plan and non plan funds etc. There is no need for this secrecy which is a colonial legacy and can be done away with. On the otherhand the full and free discussion of the budget in the standing committees of parliament will give it really much fuller support by the people, close some of the loopholes for tax evasion and getting round some of the other provisions and make for fuller budget implementation. The other budget issue raised this month is the decision of the government to revise the additional DA and bonus totalling Rs. 1500 crores. This decision is both untimely and expensive. It is untimely because the Patnaik Committee of the National Development Council has submitted its report on various programmes of austerity to meet the financial crisis faced by the country and the government. And one important recommendation was that all DA should be frozen this year and any bonus or other payments paid to the employee's Provident Fund. This important report was to be debated by NDC at the end of this month, but that meeting was postponed indefinitely in order to make these payments. The decision is expensive in that the government does not have the resources to meet the Rs. 1500 obligation and will be reneging on one of its other obligation, probably a Plan activity which is the usual sacrificial goat to meet the non plan revenue expenditure. If the austerity recommended by committee is not implemented, the VIII plan will have to be cut and the states will have to mobilise as additional Rs. 40,000 crores (Rs. 8000 per annum) which is near impossible. The stock exchange continues its wide fluctuation. In August, the BSE equity index which was 2523 on August 6, shot up to 2788 on August 11, fell to 2750 the next day and went up 93 points to 2889.08 on

August 17, in September it shot up by 120 point to 3420 on the 10th and fell by 109 points to 3274 on the 21st. These are the results of insider trading, market manipulations, price rigging and other frauds, full support should be given to SEBI's effort to get stock exchanges, banks and the secondary market to evolve an internal code of conduct setting forth procedures, checks and balances in these institutions to counter these mal practices.

Economy

One of the results of the proposed parliamentary reform (through standing committees) would be that we and the ministry of finance would not be caught by surprise in mid year by the fact that external receipts in the form of loan were inadequate to meet the country's servicing obligation during the first quarter of 1992-93 leading to the draw of Rs.11 crores from the capital stock to finance the interest payment burden of Rs. 768 crores. This practice is in vogue for servicing of interest on internal debt and the resulting RBI study warns that by 1992-93 incremental borrowing will be needed to cover interest liabilities. This is known as the debt trap. Since 1990-91 on commercial borrowing there has been a revenue flow as the 1991-92 Economic Survey reported, now the addition to the foreign debt stock (the loans and aid) does not cover interest payments. In this situation there is only one way out: to reduce our external borrowing and increase exports so that they can service our debt. The functioning of the economy, on which the export performance depends is not satisfactory. The RBI annual report estimates that the 1991-92 GDP growth will be less than 2 per cent and on it, on this low base the Planning Commission estimates that the current year (1992-93) growth rate will be around 4.5per cent. It is hoped that the end of the Plan will record 5.6 per cent, based on the improvements in the export and industrial fronts. This is needed to avoid the debt trap in regard to our foreign obligation. The external evaluation of the economy (by the World Bank and IMF) is a mixed bag, with the IMF stating at its Annual General meeting that India has concerted the unprecedented crisis with an exciting opportunity, while the Bank pleading for the closure of the bankrupt state run industries and the means of pushing forward urgently needed agricultural development for which an agricultural policy should be formulated and executed. There are also serious lacks on the financial sectors, only 7million persons of 850 million pay any form of tax and where banks are not spearheading industrial and agricultural development. On the other hand, the Bank, like UNCTAD, is frank in stating that its loans of a record of $.2.53 billion will help the country's market friendly reform and structural adjustment will bear heavily on the poor who are vulnerable and will be hit by rising basic food prices and growing unemployment. In fact there is a warning that atleast in the short run there will be an erosion of the small gains made in the 80s in poverty reduction. The UNCTAD study points to the adjustment policies in the III world leading to poor performance of the economies. As of now the official policies do not reflect these concerns and atleast the 1993-94 budget now under preparation should take these warning into account. For this the base is weak as the third interim report of the Janikaraman committee shows how the portfolio management schemes were used by the banks to escape the interest rate discipline imposed by RBI, how brokers made money at the cost of the bank through the device of the off the books obligation. The report, however, does not set forth the offences which are punishable, nor

does it deal with the question of where the missing thousands of crores have gone resulting from the abuse of the portfolio management schemes by bankers and public sector units, will the JPC fill in these gaps left by committee and the police or will it be a hindrance to the Janikaraman committee and police completing their enquiry and identifying not only the guilty ones but where the missing monies have gone. This will also help in implementing the Chelliah committee report, the final instalment of which was given to the government at the end of August, and its proposals for comprehensive tax reform. There is a good case for taxing agriculture, starting with the earnings of non farmers. Agriculture income above Rs. 25,000 p.a.are to be clubbed with non agricultural incomes and taxed. In line with the new policy of inviting foreign investment, a lower tax differential between domestic and foreign companies is recommended along with avoiding double taxation on fees and persons serving in India beyond a certain number of days. Further, a generous value added tax is launched. Somewhat unnecessarily the rate of corporate tax for domestic companies is to be reduced to 45 per cent in 1993-94 and to 40 per cent. In 1994-95, abolishing the surcharge. The general depreciation on plant and machinery is retained at 25 per cent, interest tax abolished and the continuance of the gift rax with an enhanced exemption limits. A very valuable recommendation is for the government to give up the practice of introducing changes and conditions in each year's budget, limiting itself only to structural reform as per a given agenda. To reduce the over action to credit, it recommends that the action of the concerned officer should be final for the assessee and a restructuring of the systems of identifying tax payers and continuance of the summary assessment scheme correcting its errors and inadmissible claims and levy of additional tax. It recommends postponing the scheme for the single direct tax code till the current legislation and its recommendations have been operated and stabilised. It wants a comprehensive information system to supplement the system of searches and seizures and wants the VAT systems to be based on invoice values. Its suggestions for dealing with corruption in the revenue service are normative and so privatisation and sound training really are the key to it. The report has covered the ground rather thoroughly and most should find a place in the 1993-94 budget. It is not only thorough but a workable system. Accepting the ground realities the committee has made solid improvements to tax reform. Despite the care and realism with which the recommendations have been made, there will be powerful lobby mounted on some matters like the agricultural tax which the agricultural ministry is heading. Some suggestions like the abolition of the post of revenue secretary, and modifications proposal in the appeals system may call for opposition from the revenue officials. But this should be firmly met. The report schedule should be implemented, despite the gaps and lacks in its suggestion such as suggestions for checking tax evasion and the fast growing black money, the means of improving the elasticity of tax revenues and the identification of new areas of taxation which it was required to suggest. Another useful pointer relating to financial companies is the A. C. Shah working group report set up when the securities scam was at its peak. It has recommended a status for financial companies equal to that of the banks and a sound regulatory frame for non banking financial companies along lines suggested by the Narasimhan

committee, with stress on prudent norms and not more regulation. The suggestion that only those companies with net owned funds of Rs. 50 lakhs and over need to be given regulatory authority to raise deposit is sound. Only the cut off limit of Rs. 50 lakhs is too low given our rate of inflation. Also the nature of the business of companies has been overtaxed, particularly as now factoring, venture capital financing and foreign exchange brokering and how they can be accounted. The two and half years allowed to the finance companies to achieve capital adequacy is rather liberal. But the suggestions made to help them attain the norms are good and useful and are in line with the Nadkarni recommendations. RBI in its annual report recommends against lowering bank lending rates till inflation is under control, and a cautious approach to full convertibility and a relief on government borrowing. Against this, the three tranches of borrowing is now complete, with Rs. 3469.16 crores for 24 state governments (14 states have earlier raised Rs. 1069.16 crores) and the union Rs. 5500 crores.

Industry

The guidelines for foreign investments in Indian markets and effecting an initial registration with SEBI, with the right to invest in all securities traded in the primary and secondary markets along with attractive tax concessions, raise questions of whether these will really attract foreign investments. There is one limit of the total investment by all foreign institutions investors being limited to 24 per cent of the issued share capital and so fears expressed by some that these guidelines open the flood gates for foreign investments is without substance. NRI investment policy has also been further relaxed, exempting their share transfers from NRI. SEBIs forecast that $2 billion will flow in by November 1993 is a little optimistic but its promise to give authorisation within 10 days will certainly encourage foreign investors who, since the new government set forth the new industrial policy, have invested Rs. 1953.64 crores (with that in 18 months). There are other measures being taken to stimulate industrial growth which according to CSO rose by 3.6 per cent during the first quarter of the year such as the decontrol of phosphatic and potassim fertiliser prices and supply. This has led to 60 to 100 per cent increase in phosphatic and potassium fertiliser prices but also a 10 per cent cut in urea prices. In the same category is the bill which enhances the effectiveness of the Board of Industrial and Financial Reconstruction and the removal of some ambiguity is the Sick Industrial Companies Act. This will not only deal effectively with industrial sickness but also help to evolve revival packages for sick units within a time limit of 5 years. For this the Board needs adequate budgetary provision. All these and other provisions have enabled industry to record a 4.1 per cent growth with a good possibility that this may be sustained during 1992-93. There are some problems. One is that foreign investments is still only a trickle, which is not due to faulty policy which is constantly being revised as noted, but due rather to governments inability to identify and cater to forces that demand foreign investments as seen in the transaction costs theory as so well practiced by China. Another problem area is that at a time when industry is looked up to promote the much needed exports, the ministry of commerce is taking action against 250 big firms including some large business houses, for having failed to meet their export obligations. In many

cases, the large companies like Air India, Handicrafts Export House, Hindustan Exports, Textiles Ltd.,KV Archana Ltd. Modern Syntax, Universals came to the Controller of Imports and Exports and asked for exemption or extension. What is needed is for the rule that defaulting companies be referred to the enforcement to the cum adjudication branch of the CCI&E for the award of fiscal and criminal penalties. With our exports in the perilous state that it is, there can be no condoning in regard to large companies not meeting normal export obligation. One other problem is that the new industrial policy has not helped the percolation of industries to the backward areas as most industrial approvals have gone to the highly advance sectors in the country. The new policy's primary objective was to give a boost to the integrated development of under developed regions. All the plans and pep talks on incentives to set up units in backward areas has not produced results as the analysis of approvals shows that 95 per cent of the 5762 approvals given till June 1992 have gone to the pockets in each state which have already reached an optimum level of industrialisation. What is equally troubling is that the union ministry says it has no idea of how to correct this situation. Further, with the practical withdrawal of all union aid for development activities, the union has no real role now in this matter. Finally a question may be raised as to the desirability and correctness of the RBI changing its procedure on the utilisation of profits in 1991-92 with a view to transferring a large surplus to the union exchequer for increasing its non tax revenue. Now this procedure has increased transfer from Rs. 380 crores in 1990-91 to Rs. 1500 crores for 1992-93. This is highly questionable.

Public Sector enterprises

The major issue now is the disinvestment of the public sector equity. There should be general agreement in parliament that the disinvestment will not be undertaken to meet budget deficits and needs. This will enable a well thought strategy both for the sales and use of the proceeds to build new capital assets or scale down domestic and foreign public debt, possibly a mixture of both. In this connection, it has been proposed to set up a Disinvestment Corporation to monitor PSU equity sales which will restore public confidence which has been seriously affected by revelation of the Janakiraman committee on the scam. The Corporation assisted by a panel of experts to evaluate the shares offered will fix the price of the shares on the basis of advise from a consortium recognised financial institution. This will ensure that commercial judgement rather than bureaucrat dictal is used in this commercial deal. Finally, in order to ensure disclosure and transparency, the PSU equity sale will be made through a public issue in accordance with SE norms. This will make PSU shares sales open and fair, like UTI shares and will ensure broad based ownership of disinvested equity, while the reservation of the 15 per cent of share for them will give public sector employees a stake in PSU. The crucial problem will be control of the proposed Disinvestment Corporation. The Corporation should avoid the errors to the deregulation of Air India and Indian Airlines by making disinvestment precede deregulation. The Government's alternative proposal to offer shares at a preset price or to a select clientele seems to be moving in the second direction with the invitation to SEBI to identify about 100 clients who will participate in the auction to be held early October. A certain per cent of shares will be reserved

for workers. In this proposal the dangers of cartelisation and favouritism will need to be faced frankly and dealt with.

National Production Front

Steel

The steel scene in September raises the question of whether the piling up of inventories - both mild steel at Rs. 1300 crores and special steel at Rs. 700 crores - calls for corrective action before other production and distribution issues, as this is a major factor in the Rs. 20 crore loss reported in the 4 months, April-July 1992. The special steel poses a particular problem as the cost at the Salem plant is much higher than those of the private sector plants, so that Salem steel can study and adopt some of the techniques and economies of the private sector. Even on steel pricing, there is some question whether the decontrol should have been followed so soon and so fast by the price rise which has reduced demand and led to piling up of stocks. Similarly the spectacular growth of the sponge iron sector from nil in 1980 to 4.5 lakh tonnes capacity of coal based public sector plants, plus 2 lakh tonnes of coal based private sector plants and 20 lakh tonnes of gas based plants under operation or installation also call for some careful thought, regarding government policy on import duty on steel melting scrap which went from 35 to 10 per cent rather suddenly when international prices of scrap were falling leading to the landed cost of imported steel scrap becoming much less and the domestic producers facing falling demand and building up of inventories. In fact this imported industrial input is depended on international prices which need to be taken into account in fixing domestic official policy. One other comment on the steel scene. At long last SAIL is setting up joint sector power generating companies to feed Bokaro and Bhilai and other consumers in the region. This was long over due as their absence placed steel plants in a very unfavourable position due to shortage or cut off of power generating companies to feed Bokaro and Bhilai and other consumers in the region. This was long over due as their absence placed steel plants in a very unfavourable position due to shortage or cut of power from external services like DVC, SEB vis a vis steel production in other countries. Now with the setting up of the joint sector captive power companies, SAIL's dependence on external power utilities will be decreased resulting in both economy and steady expanding production.

Crude

The rise in petroleum prices already referred to has effects on the economy, particularly the oil using sectors, and on the rate of inflation which will become clear in a few months. Given these facets and the fact that domestic crude production is just a little above the half way mark, 28 million tonnes against the needed 54 million tonnes, the most urgent need in this area is to expand crude production. Government has offered 43 oil and gas fields, of which 31 are small sized, to foreign companies and will be closing the bids on December 31. Foreign oil majors which are flooding the crude production market in China and Vietnam are not queing up to take up the Indian bid. This is also true of the Indian private companies. This demands attention now, not only to make our conditions as attractive as those of China, but most important to cut through the cumbersome bureaucratic procedures which ONGCs tendering system repre-

sents. To cut through this red tape and keep the bureaucracy under control, should there be a national petroleum policy or Code for crude production approved by parliament. All ways to boost supplies need to be explored, particularly to follow up the long awaited attention to break the ONGC-OIL monopoly of purchasing oil abroad, which should be followed up with giving the private sector companies not only the power to purchase crude but also enter into counter deals to purchase the oil with products produced by the sector and demanded by the oil producers. Russia is a major potential counter trade supplier and wants immediate payment which the counter trade can meet. Also why should not the new refineries being set up in the private sector be allowed to import the crude they need from the foreign market, which will not only enable use of counter trade but also at a lower cost.

Coal

With the decision to lower the import duty on coal from 85 per cent to 30 per cent in order to help the power plants, particularly in the south, the logan of the duty acting as a block for the import of Australian Coal which has much lower ash content than Indian Coal has been broken. But this is only the first step. With the huge coal mines and coal reserves, the only reason for the duty is relative inefficiency of the capital and labour used in the mines. These need improvement and the plea from the south that the duty be reduced to 5 per cent so that it is revenue earning and not a protective factor should be given careful consideration. Also the large investments are being made in CIL mines by the power multinationals in order to ensure high quality coal to their power plants ; the same ends will be met by the coal warehouse that the multinationals are setting up. For all this the multinationals are permitted to open coal mines which they are doing but they should not accept the ministry's suggestion to vast management control in CIL and ownership rights with the power companies. That will continue the present inefficiencies and serve the interest neither of India nor of the multinationals.

Agriculture

With the good monsoon predicted and realised, (by the start of September the rainfall received was 92 per cent and 29 out of 35 meterological subdivisions have received normal or excess rainfall), three questions arise. The import of 10.05 lakh tonnes of wheat of which the first consignment of 35,000 tonnes arrived at the Madras port in early September is really a precautionary action : the 1992-93 rabi target of 29.75 million tonnes which is 4 million tonnes higher than last year is likely to be realised because of the wide spread rainfall in the wheat growing states. There is no need for further import of wheat. The second question relates to jowar, an inferior cereal whose price for the first time rose higher than that of the superior cereal, wheat, points to the need for a revision of the jowar and coarse grains price. With the good rains and the prospects of substantially larger jowar harvest, inflationary expectation are dampened. But the need for a new policy is still there. First, the concentration on rice and wheat ensures that the price of coarse cereals will always be low because consumers are supposed to prefer wheat to jowar, if given a choice. But the rise in jowar prices showed that this year's minimum demand for jower must be met. The market meets this demand through higher prices encouraging the cultivation of a larger area but this corrective hits the

poor and the food policy, Second and on top with PDS neglecting jowar and coarse cereals, the poor are deprived of their share of food subsidy. Third and again, therefore are effective food management system calls for non price incentives to increase production of coarse cereals. Given the fact that only 5 per cent of jowar and bajra lands are irrigated, a rapid rise in their output calls for better R&D in dryland farming and increase in the availability and distribution of quality seeds. Fourth, all this means that we should grow more coarse grains because it costs less, requires a lower food subsidy and are needed for poultry whose products of egg and chicken are not only in strong export demand but also are source of protein for the non rich. The third issue relates to the sharp rise in the procurement prices of all kharif crops-rice, jowar, bajra, ragi, maize, pulses, groundnut and cotton. The hike is some 15 to 26 per cent above last year but also particularly in the case of rice well above the price recommended by the committee on agricultural costs and prices. The reason given for this rise is to compensate the farmers for the excessive rise in prices of phosphatic and potassim fertilisers noted earlier. This does not make sense because the season for applying these fertilisers are over. Second, higher prices are not necessary to procure more of wheat or rice. Wheat is procured directly from farmers and most rice is procured as levy on millets and whole sale trader. So even a low levy price does not matter to them as they can make up on their free sales. Third, the price hike will spur inflation and if this is done because the rates of inflation been acting as a sop to farmers. This may spur them to increase paddy production but at the rising inflation, taking the commodity out of reach of the poor and lower middle classes. Fourth, as noted in the case of jowar earlier, what promotes production are not prices but non price factors like irrigation and extension. Fifth, higher prices make even inefficient farms — reducing the incentive for factor to move to higher productivity area. Sixth, the extent to which higher prices are a subsidy to agriculture from other sections of the economy, there is a shift from an explicit subsidy (on fertilisers) to a implicit subsidy. Finally, not only is there a clear need for the use of non price incentives increase in quality of paddy, there is need to examine the food stocks that are being developed which alternate only between wheat and rice and is reflected in PDS ration cards. Surely coarse grains which is not a priority for PDS is a more cost effective means of meeting the needs of the poor than increasing paddy procurement through prices and further strengthening the demonstration sequence.

Foreign Trade and BOP

The September report on the trade figures released by the commerce ministry shows that as against the export growth rates of 9 per cent promised to IMF for 1992-93, the first four months April-July show a growth of less than 1 per cent. And as imports show a growth rate of 23 9 per cent, the trade deficit has jumped to $2121.71 million (compared to $770.50 million) during that period in the previous year. In rupees terms the data is even more depressing with exports at Rs. 15'562.44 crores and imports at Rs. 21,634.64 crores and the deficit at a massive Rs. 6072.20 crores. In past issues the good export performance of industrial items were highlighted: and in two months also textiles' types, plantation crops, carpets. have done well. Further exports to the general currency area grew at 9.69 per cent at $5209.99 millions compared to $4762.77 million

during the first four months of 1991-92. The further export incentives like the new advance licensing scheme for ready made garment exports and the boost given to counter trade with C.S units by government have not really borne any effect. On the other hand, as earlier noted, over 250 large firms are lagging very badly in their export obligations and this include some public sector undertakings and till this is corrected exports will be behind making the servicing of the foreign debts and correction of the balance of payment deficit more and more difficult. And the international situation is not making for export expansion. The turmoil in European currency market, with the Pound and Lira being allowed to float and the Spanish Peseta devalued, has introduced uncertainty in the export trade, the forward premium rate based on interest rate differentials fluctuating widely-in fact the short term interest rates are not holding on to their position even for a minute. The floating of British pound, which in effect is devaluation of around 10 per cent now introduces serious uncertainties in some export trade lines lines like tea which is effect is devaluation of around 10 per cent now introduces serious uncertainties in some export trade lines like tea which is mainly in British pound. The sharp fall is value of the pound has thus adversely affected Indian exports. The Rupee has appreciated in value vis a vis the pound as a result of which exporters have to pay more rupees for the same goods and are losers. This erosion of foreign currency has been occurring since April, the Rupee has appreciated against all major currencies. The Dollar for instance today fetches only Rs. 27.92 and the good effect of the development is that the black market for Dollar has gone and this havala market is non existent now. But unlike US and European economies, the Indian economy cannot take these sudden shocks, particularly as it sends up our large dollar bill. So we can only hope for an early restoration of stable conditions in the European market.

Aid and loans

In September 4 loans from the World Bank and ADB, along with a credit from a new source, global environment facility, three loans from bilateral sources and a $500 million surplus credit negotiated by BHEL from a private international financial institutions should be noted. Some features of India's foreign indebtedness emerged. First as noted earlier, the loans and credit made available to India are not adequate to service the foreign debt, that is to pay the interest due on them. Second, against the increasing interest payments repayment of principal during April-July of this year, there is a 44 per cent decline in external aid receipts shows that the period of concessional credit is slowly disappearing and the Indian economy must prepare for this. Third, India has emerged as the major borrower from IMF due to the adoption of fund supported adjustment and economic policies. Fourth on top, India is now negotiating with IMF for a large loan of $7 billion, the justification for which will be known only when the Finance Minister who is negotiating the loan comes back home. On the face of it with adequate foreign exchange reserves and the economy and exports expected to increase, it is difficult to see the reason for this massive loan. Finally, despite the surge in imports and the widening trade deficit noted earlier, the country's foreign exchange reserves have remained stable so far. Though imports rose to $5.5 billion and the trade

gap widened to $1.5 billion in April - June and a further increase in April-July and with no immediate possibility of imports contracting, foreign exchange reserves rose to $6.3 billion on August 21 which was $900 million higher than the $5.4 billion in April.

International

World Bank and IMF

Towards the end of September, the World Bank and IMF had their annual meetings when their Annual Reports were presented. These two Bretton Woods institutions founded to help the development of united family of nations, who now number 173 in their membership, are being helped in development. They think that the way to development is to replace the system of regulated centralized planning with a free market. Both the validity of this theorem and the conditions attached to the transition raise many questions, some of which are raised by the institutions themselves. The World Bank annual report emphasises its explicit acceptance of poverty reductions which is good news to the world with over a billion poor. But Third World government are however more worried about the World Bank and IMF not going about the task of poverty reduction. The govenments are today less concerned about the limited resources in the aid that they are receiving and are more concerned about the severe conditions set. This is seen, for instance, in the discussions of the Group of 24 during the IMF - World Bank meeting where the tough and hard "conditionalities" were discussed and deplored, though later both the interim committee of IMF and the development committee of the World Bank endorsed them. Why should not a consensus be developed as well developing countries, are on a phased reform and fiscal correction programme in place of these "conditionalities". The emphasis in both annual reports on poverty reduction and the 1990 Bank formulation of the path to be followed to reduce the number of poor by a trend, 300 million by the end of the century compared to 1985 is surely the basis for such a broad consensus. There is also the Bank's caution in its 1992 report that the target faces the serious problem of recession in the developed countries (the IMF report quantifies this for US, UK, and Eastern Europe) and the failing progress of the developing countries. The basic question is does growth reduce poverty. The Board's report and studies point out that the achievement of a high rate of growth would be painful in the short run — for the poor. It refers to India and the adjustment programme (as its earlier study does of 10 developing countries) that the gains of poverty reduction in India in the 80s will be eroded because of the adjustment programme, which means that poor will be worse off than before, because of the rise in basic food prices or increased unemployment. But the logic of this tragic relation between poverty and growth with adjustment ".conditionalities" is not accepted because of the vague belief that in the long run there will be improvement and that there is no alternative to the adjustment programmes in the short run — which is not true. Another Washington based Institute on World Resources in 1992-93 refers to the gap between the rich and poor nations actually widening and poverty worsening, despite GDP increasing in all countries at various levels over the last 20 years, which raises serious further doubts about the link between growth and development. The report concludes that there are no adequate models of

sustainable development on a national level — and so translating the concept into programme which the World Bank and IMF are sponsoring is a doubtful endeavour as it rests not on firm grounds.

World Aid

Resource flow to developing countries in 1991 was stagnant in nominal terms at the same level as in 1990 at $ 137.5 billion of which $ 79 billion (59 per cent) was ODA. Given the rate of world inflation at over 3 per cent, in real terms this was a serious contraction, which means the reverse flow from the indebted developing countries to the lending developed countries is increasing. The OECD follows the World Bank and IMF in outlining poor prospects for the expansion of ODA, which is still at a little over 0.3 per cent compared to the 4 decade old target of 0.7 per cent, and in recommending as a corrective that the developing countries must attract private flows to meet their growing resource needs. But this will only worsen their indebtedness and make servicing of the debt even more difficult or open their economies to MNC exploitation.

European Currency Chaos

Reference has earlier been made to the problems faced by the European currencies. The trigger was raising the interest rate by Germany, its Bandes bank, to cool its over heated economy. But because the Pound, the Franc, the Lira, the Peseta are all linked to the D Mark, through Exchange Rate Mechanism (ERM), a number of currencies — British, Italia, Spanish have not been able to maintain their parity in ERM and rather than raising interest rate which would lower their growth, have adopted various forms and levels of devaluation. The turmoil in European currencies have both political and economic repercussions. At stake are the tough policies which result from currency weakness and that of their economies. The danger is that this turmoil may lead to a hardening of protectionism in Europe, sounding the death knell of the Uruguay round, which the US has anticipated in deciding on a very large subsidy to its wheat farmers.

World Employment

Is the ILO forecast that of the 700 million persons of working age 55 per cent, that is 400 million, will seek employment during the 90s some what conservative? As far as India is concerned with half this number-at over 300 million, all of them will be seeking work. Has the reduced number-from 200 million to 400 million been devised to fit into the employment perspectives of the 90s? Even this reduced number will not find employment because job creation in developing countries like India is being held back by the slow moving economy, inflation, declining investment and political and social unrest. On top there is the problem of surplus manpower in most state undertakings which will have to redeployed. In the former Soviet Union it is reported that over staffing is 25 percent and 15 million will lose their jobs in 1992 and a huge 50 million under employed. Asia faces the same situation. As for Africa, the debt burden is also a factor holding back employment creation. The ILO analysis is that in the developed countries the rate of job generation during the next 10 years will barely match the growth of labour. And given the reluctance of the NICs to absorb labour from the developing countries, both emigration and international exchange of labour are not avoidable options

for countries like India and Pakistan and Bangladesh with vast labour surpluses.

The Jakarta NAM Summit

The leaders of the 108 Non aligned countries who met in Jakatra in early September and issued a statement called the Jakarta Message at the end of their week's meeting deal with the reform of the UN, South and South cooperation, the disputes which divide the movement, the worsening economic environment, the disruptive role of terrorism and nuclear weapon and the need for agricultural and industrial development in face of discriminatory and highly restricted world trade regime. The message and the meeting raise a basic issue-Do we need NAM? In the post cold war world, where we have only one super power, what does non alignment need? This question cannot be answered on a long term basis because of the rapid rate at which the world and its economic, social and political facets are changing. It cannot be economic cooperation because NAM is not really an institution and the Group of 77 and the task force of the Group of 157 are doing this job of economic cooperation among the developing countries in the limited areas which are agreed. For the present, for the next few years, there is one task which NAM could devote itself to and that is to work out a consensus among its members on restructuring and democratising the UN system, which is in danger of losing its original purpose and became a play thing of the top industrial countries led by the super power. This agenda is modest and adequate to give NAM a task in the process, also help underline, meet and multilateralise other problems through the various forums of the United Nations, including the Bretton Woods institutions, UNDP and the specialised agencies.

India-Bangladesh Water sharing

Is the, after over a decade, India and Bangladesh agreeing to form a joint committee to work out a formula for solution of the water problems a workable proposal? If the priority facing both countries, namely, sharing of the dry season flows of the Ganges is the major interim agenda, the panel will work and could lead to long term arrangements on sharing of the waters of Ganges from the source in Nepal and the Brahmaputra.

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II. Agricultural Development in Tamil Nadu

Paddy and other Crops

With the opening of Mettur on the schedule date of June 13, as reported in the last issue, the question is as to why the delta paddy farmers are not extending the kharif sowing to the full 4 lakh hectares and are short by 1 lakh hectares? If the uncertainty of Karnataka following the tribunal award is the

reason, the plentiful rains in Karnataka, particularly in its sources in Coorg has resulted in the surplusing of its reservoirs resulting in Mettur receiving really more than the Tribunal award of 205 tmcft of water. The policy and the various input like the irrigation channels and their desilting, the availability in time of HYV seeds, the cost of fertilisers are in need to be reviewed to get the farmers to external paddy cultivation to the full limit in both kharif and samba season. The action against the tungro virus which swept over the 1500 acres of the sornavari paddy crop should have been taken so that the North Arcot farmers losses could have been reduced, if not prevented. With the 35000 hectares of the samba paddy, the disease affecting Arakonam taluk, Wallajah taluk and Vellore taluk need to be fought on a war footing. There is no use in passing the buck as to who is responsible for the spread of the virus unchecked, the department officials or the Vellore TNAU : action should be taken to help the farmers fight the virus. Kuruvai paddy has begun to arrive from early September and the monopoly procurement has been extended reported in the last issue and has enabled the government to procure 12.5 lakh tonnes anticipated and the 3.5 lakh tonnes of kuruvai paddy. The farmers are enthused and have responded to the increase in the procurement price of paddy by Rs. 40 a quintal from September, so that the common variety fetches the farmer Rs. 270, fine Rs. 280 and super fine Rs. 290 In addition the incentive of Rs. 35 per quintal granted by the state government will continue. This subsidy will cost the government an extra Rs. 70 crore which will not be recouped by raising rice prices. On the other hand the price has been fixed at Rs. 6.50 a kg and the government intends to flood the market with rice so that the price remains at that level. Other kuruvai crops - cotton, groundnut, are also doing very well, the farmers report.

Research results

In the six weeks from mid August to end September, 40 research reports have been registered. Two problems that this group of reports raise should be highlighted. First, the largest number concern fruits (12), followed by vegetables (5), animal husbandry (7), paddy (4), other cereals (4). This is a fair distribution of what the farmer and cattle farmer need except it will be noted that there is only one research report on jowar, the poor man's cereal. On the other hand though the research reports on paddy are only 4, the union ministry of agriculture highlighted this month the achievement of ICAR scientists of a significant break through in evolving hybrid rice varieties that would help the country to make another quantum jump in paddy yield and production. The problem of paddy being a water intensive crop which poses a special problem for the water starved state like Tamil Nadu which needs its replacement by less water demanding coarse cereals has been earlier highlighted. But the Green Revolution mentality still persists and accounts for the highlighting of the research on paddy. The other issue is that even with regard to the other important and impressive research in crops and animal husbandry, there is no information available of how far their laboratory results are being transferred to the farmer on the land. This Bulletin attempted till this issue to identify these research results which can benefit the farmer in the field or cattle shed immediately. But this does not give an account— positive or negative — of how far there is a real transfer of the research results from

lab to land. This is urgent and can be fairly qualified as in farming there is not the intermediate process, for most manufacturing industries of having to test out their commercial viability in a pilot plant. This will also show how effective our extension services are.

Plantation crops

September recorded the curious phenomenon of a decline in the supply of all varieties of tea — globally, nationally and in this state — and a fall in the prices of all the varieties. The world reduction in the first 6 months of 1992 is estimated at 91 million kg, and all producing countries — Kenya, Sri Lanka share in this decline : the national production decline in the first 6 months is 29 million kg, and the major part of the loss from south Indian gardens is 21 million kg. Not only were there consumer sales at 184,882 tonnes in 1992 against 201,514 tonnes in the first six months of 1991, the price declined from an average of Rs. 39.57 per kg in 1991 to Rs. 37.88 kg in 1992. This decline applied also to Darjeeling tea and CTC tea, only in the South the prices remained stable. Indian exports fell to 78 million kg during this period in 1992 against 87 million kg last year. This fall in exports is mainly due to the loss of the Russian market which used to absorb 50 per cent of the export surplus of 200 million. Against the 95 million kg imported by the Soviet Union, the agreement with CIS reduces the exports from India to 60 million kg and of this only 15 million kg has been imported compared to 55 million kg last year. The largest other buyer, UK firms have taken advantage of this situation to scale down Indian tea prices. The moral of this situation is clear. First, there has to be a search for new markets in Egypt, Libya, Saudi Arabia and countries in Africa. Second, there is need for producing value added items like instant tea. Third, for that there is need to modernise our tea factories and install the machinery and train the workers who can produce it. With regard to *coffee* at long last, after 50 years except for 3 years at the start of the formation of the Coffee Board, and following the various studies commanded by the government and the Board (See Vol XXI p 169 and Vol XXII p 233) the Coffee Board took a land mark decision whereby 1.30 lakh registered coffee growers need no longer pool in the Board more than 70 per cent of their produce. This unanimous decision allocating 30 per cent to the Internal Sales Quota (ISQ) was further developed at the subsequent meeting on the mode of marketing whereby the important sub decisions were made. First, since 90 per cent of growers are small (less than 2 hectares) growers, this freedom to sell 30 per cent directly to the market is made an option' so that the majority of small growers who are nervous about going directly to the market can still sell all their produce with Board. Second, the Coffee Board will continue to play a price stabilisation role with regard to the 30 per cent ISQ, intervening when the price falls too much or rises abnormally. Third, the Board has been vested with powers to make a random check if any grower misreport his production where the criteria will be the average production for the past 3 years. There will be other problems that will come up when implementing this decision, including the possibility of failure of the scheme, in which case after one year the 100 per cent pooling system will be resumed for one more year. The success of the decision which the large growers have been pleading for will depend on the cooperation of all growers big and small. This

has led to another land mark decision, when the 12 associations of the country's main coffee growing regions have joined together to set up the first multi state cooperative for procuring, processing and marketing coffee, cardamom and other plantation crops. This Indian Coffee Marketing Cooperative Ltd (COMARK) will have an authorised share capital of Rs.20 crores - Rs. crores for 70,000 auction shares of Rs.1000 each, consisting of coffee and cardamom growers in the states of Karnataka and Tamil Nadu and Rs. 2 crores from B class shares open to cooperative institutions registered under the multi state cooperative societies act or state cooperative societies act in the 3 states and Rs. 3 crore from 30,000 C class shares open to the institution constituted by the Government of India or state government like Coffee Board, Cardamom Board and Rs. 8 crores from 80,000 D class shares open to the Government of India or the state governments. Matters are moving very fast on the coffee front and these developments need to be supported and monitored carefully. On the International Coffee Agreement, the Coffee Board should wait and watch what quota is likely to get in view of the fall in exports in 1990-91 due to lower production in the previous year. This means keeping our option open. Finally the world coffee production for 1992-93 is forecast at a 6 per cent lower level, when all producing countries except Colombia and India will face a fall by 10 per cent and the exportable coffee produced fell by 9 per cent leading to a rise in coffee prices. In regard to *rubber*, India's current production of 4.07 lakh tonnes will be exactly equal to next year's consumption, leaving no possibility to export, last year's 10,000 tonnes. As for as internal rubber production and demand, the question is as to whether this policy of liberalisation will lead to production of cars, trucks and two wheelers and a consequent increase in the demand and production of tyres. At this moment when the automobile industry is passing through a recession, it is difficult to answer this question. Against this backdrop the 6.5 lakh tonnes natural rubber production target set for 2000 AD, raises the question of how this will affect the country's rubber economy and whether any potential surpluses can and will be mopped up by the world market.

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III. Industrial Development in Tamil Nadu

The monthly balance sheet for September in regard to the states' industrial development records 2 plus points and 7 minus points.

The positive features include: *first* the progress made in the India Singapore industrial corrider for which *Tamil Nadu Industrial Development Corporation* (TIDCO) has been appointed to act as a nodal agency. The corridor will provide India, Singapore and multinational companies, offshore manufacturing facilities in India, as well as housing, recreational and other infrastructure. Singapore industrialists are expressing great interest in this facility given the sharp rise in operational labour cost in Singapore on which

India will provide a counter through the corridor. *Second,* in an important development for this power starved state, one of the state's major industries, *Carborandum Universal* is setting up a two MW wind energy plant in Chingleput using the land offered by the state government and with comparative wheeling charges, it will be cost effective. It will be set up in two years. *Third,* the National Aromatics and Petro Chemicals Corporation Ltd (*Arochem*) has made good progress in executing Madras Refineries Ltd. (MRL) aromatic project. MRL had transferred its letter of intent in the name of Arochem and activities were on to complete the project in 33 months. The supply of the key raw material, naphtha has already been tied up with MRL. The union's approval for the import of technology and the funding arrangements for the project will be completed soon. *Fourth,* given the confusion over the state's granite policy, it is heartening that *Rossell Industries Ltd* (RIL) has drawn up plans to set up a Rs. 90 crore granite, cement and telecommunications plant to be readied in two years. The plant will set up a 100 per cent export oriented unit to manufacture granite slabs and till units in the state under the name of Rossell Granite Pvt Ltd. This part of the plant involves an investment of Rs. 30 crores. *Fifth, Madras Refineries Ltd* (MRL) is investing Rs. 23 crores for upgrading its R & D facilities to give it a business orientation. This involves a total transformation of the management of the R&D department tying it more closely, as provided in the VIII Plan to business activities and strategic objectives. *Sixth, in September Ashok Leyland* recorded two important development. First its UK collaboration, CRLTH has agreed to step up its equity holding from 40 per cent to 51 per cent now permitted under the liberalisation policy. With the additional fund it i) is executing the plan for manufacture of IVECO engines at its Hosur plant, ii) has obtained approval for establishing a 1000 MW power plant in Vishakapatnam and iii) is setting up a 6 million tonnes oil refinery at Orissa — the last two projects call for an investment of Rs. 6000 crores. Second, the state government has announced a package of incentives for the first project - the manufacture of IVECO engines at a cost of Rs. 675 crores which will introduce a new range of vehicles with the state of the art technology from IVECO which is part of the Fiat group. The incentive package is a follow up of the new industrial policy announced by the government last January (see Vol XXII p151) which include sales tax deferred for 14 years for various components of the project, Rs. 1 crore capital subsidy, allotment of 250 acres of SIPCOT land at Hosur, supply of adequate quality of coal, power tariff concession for 3 years and exemption from power cut for five years. This is the first large project being provided the announced incentives. *Seventh,* the union government has cleared the proposal of *SPIC* to float Euro convertible bonds for $50 million plus additional 15 per cent of over subscription to tap international market for meeting the foreign exchange needs of its projects. *Eighth, Madras Fertilisers* has submitted to the union government a revised plan for its expansion, costing Rs. 500 crores. The revised plan which provides an increase in the capacity of the ammonia and urea plants, improving the efficiency of the NPK plant, reduction of energy consumption and extending the economic life of the plant by 15 years was first cleared in May 1991, at a cost of Rs. 315 crores. But the delay caused by the change of the union government, and subsequent production and steel price

decontrol the decontrol of fertilisers, partial dollar convertibility and customs duty relief on capital goods and raw materials imports bring the cost to Rs. 499 crores. The funding will be from partially convertible debentures for Rs. 264 crores, IDBI Rs. 186 crores, the promoters, the Union government Rs. 42 crores and Iranian Oil Company Rs. 40 crores. The revamping of the project will be completed in 30 months. *Ninth*, the union government and UNDP jointly launched a *National Leather scheme* aimed at obtaining 12.5 per cent share in the world leather market by 2000 AD. The main areas for development to close current gaps are : human resources development, supporting industries, effluent control, artisan development and export capabilities. Also the effective coordination and programme management are being strengthened. The areas of private industry which are totally deficient like designing, improvement of market centres, and the setting up a fashion studio are being attended to. The main Tamil Nadu based leather industries involved in the programme's 42 outputs are: the Central Footwear Training Centre, Indian Institute of Leather Products, Central Leather Research Institute, Prototype Development and Training Centre and the Council for Leather Exports, Madras. *Tenth*, the government sponsored *1 lakh small tiny units* to be established in 5 years, starting modestly with the grant of a variety of concessions - beginning with advance disbursal of the state capital subsidy on a stage by stage basis to meet the liquidity crunch problem faced by the units. On this basis the state has disbursed Rs. 8.53 crores to new small units in 1991-92. A further incentive was the launching of a technological development fund to enable small units to keep ahead of the technological scene. Also a venture capital fund was launched through the TNIIC both to promote new technologies and encourage young entrepreneurs.

With regard to the negative features of the state's industrialisation programme as recorded in September, 8 regrettable developments should be noted. *First*, earlier issues of the Bulletin have reported in detail on the retrograde and unpractical grants policy pursued by the government. The effect of the retrograde policy can now be quantified. While earning Rs. 75.80 crores per annum in exports till this year, for the first 6 months of 1992-93, granite exports have amounted to Rs. 6 crores. This means that the goal of the country's granite exports expanding from 12 per cent to 18 per cent of the granite world trade, is now unattainable. The policy is also unpractical for the state and its granite workers, because Tamil nadu's loss has been picked up by the granite firms and workers in Karnataka and Andhra Pradesh who unlike Tamil Nadu have been granted long leases. Hence the large granite firms have moved out of Tamil Nadu to the 8 neighbouring states, leaving the smaller and new firms to work under the state owned TAMIN. *Second*, *the chemical Industrial Association* underlines the declining and negligible share of Tamil Nadu in the production of major chemical feedstock and products during the VIII Plan. The states share will be nil in methanol and very low in basic chemicals like acetic acid, acetic anhydride, phenol, acetone, DMT / PTA, ethylene oxide, rubber chemical, benzine etc. which are rapidly expanding elsewhere particularly Gujarat. Tamil Nadu ranks 14th in all India order and for this the state not following the liberalisation of the union government in regard to molasses, industrial alcohol etc. is a contribution. It must be admitted that most of the lacks from which Tamil Nadu is suffering stems

from the policies of the union government, the sharp rise in petroleum products and natural gas sending up sharply the cost of methanol and other chemical products. *Third,* while *Madras Fertilisers* expansion plan was earlier commended as a positive element, the cost escalation of this modernisation programme of MFL due to devaluation of the Rupee and partial convertibility is a negative element. Even now any delay will further send the cost up, for example as a result petroleum product prices increases. *Fourth, the B&C* revival also earlier referred to is a costly affair. Can the state afford it ? Should a sick industry be revived by pumping in so much of state funds. The concessions in sales tax and power tariff offered by the state government amounts to a hefty Rs. 125 crores. Again while the management is taking on the loss of Rs. 60 crore, it is simultaneously committing itself to extend industry level benefits such as Rs. 30 lakhs for welfare scheme, presentation of coaches, Rs. 10 lakhs, school fees and uniform for children of staff who have served 25 years. *Fifth,* the internal functioning two companies *Cauvery Sugars and TVS* raise certain important questions. Cauvery Sugars announced a profit for 1991-92 by changing its accounting procedure according to the auditors. For the period October 1990 to September 1991, it has treated as advance the Rs. 1.21 crore paid to cane growers and shown this in that account instead of showing it under expenditure— cane purchasers account. Similarly no provision has been made under current liabilities in respect of the price difference between statutory minimum price and the state advised price which for the period is Rs. 35.84 lakhs. If these appreared in the appropriate place in the balance sheet the company would show a loss of Rs. 2.04 crores. This is serious and raises a question of business ethics as well as its referral to BIFR. The other company, TVS, is facing internal differences in its management which will affect its functioning. The original proposal was to break the management into four pieces. Now it has been softened to divide it into two. The problem of interchange and coordination will no doubt be attended to. *Finally* and most seriously, the Comptroller and Auditor General report to the Assembly points, out that the accumulated losses of 32 Tamil Nadu state companies works out to Rs.423.04 crores over 4 times their paid up capital of Rs.96.78 crores, b) three of these companies- Tamil Nadu Small Industries Corporation, Pallavan Transport Corporation and Tamil Nadu Civil Supplies Corporation account for 60 per cent (Rs.254.5 crores) of the losses, raising the question of whether they should not be privatised, or drastically restructured. Only 42 companies have finalised their accounts for 1990-91, with the Tamil Nadu Civil Supplies Corporation having the distinction of finalising only its 1985-86 account and d) the dividend yield of 74 state government companies with an aggregate paid up capital of Rs.434.43 crores was just Rs. 3 28 crores or a mere 0.8 per cent of its equity investment. This is a dismal story repeated year after year, which calls on the legislature to examine in depth whether the state government should be in business, and the means of liquidating perenially loss making companies.

This profile of Industrial development in September is rather heavily weighted in favour of the negative features, because there is not one element on the positive side which can compensate for the seriously tragic tale of Tamil Nadu state businesses recounted by Comptroller & Auditor General.

IV. Education, Science and Health

Human Resource Development

The reason for putting together these three somewhat separate areas, education, science and health and labour dealt within the next section is that together they constitute what is called human resources as distinct from the physical and material resources which have been considered so far. And it is only in so far as they mesh and form a coordinated and integrated factor, that these can be both development of human resources which is human capital increase quantitatvely and qualitatively and together with physical capital can make for human and social development. Looking at the four components, to be dealt with seriatim, one must acknowledge that they are not coordinated and are far from being integrated to push foward National Development. It is this which will be the driving force in this or the subsequent subsection in this section.

Educational reforms

The whole human resources development infrastructure start at the base which is primary education and adult literacy. On primary education, the situation is unsatisfactory. Even the essential drinking water facility exists only in 47.38 per cent of all primary schools, only 56.26 per cent of primary of schools are housed in pucca building and 51.16 per cent of the rural habitations are served by primary schools with the habitation of residence - according to the Fifth all India educational survey. There are serious inter-state inequalities with Kerala schools being well provided and Bihar, Rajasthan and most North East states being in poor conditions of schooling. The revised Programme of Action (POA) tabled in Parliament in August attempts to correct these defects, but just as a tiger needs meat to live, the primary education systems needs funds and on this POA can only set norms. The adult literacy front, on the other hand, presents a less gloomy picture, with the percentage of literates rising from 43.4 per cent in 1981 to 52.1 in 1991 according to the 1991 census for people aged 7 and above. The Bharat Gyan Vigyan Jatha and Bharat Jan Gyan Vigyan Jatha have pushed literacy forward, learning from Kerala's Shastra Sahitya Parishad and tackling the problem on a local area level. The government expectations that at the end of VIII Plan in 1997 the literacy rate will touch 70 per cent is not unjustified. But here too there are lacks which heed attention. Beside regional inequality with the Hindi belt lagging far behind that of other states - Kerala, Tamil Nadu, Maharashtra, there is seriously gender inequality, with girls and women having a low primary school environment and even more serious discrimination in literacy, with men having attained 63.9 per cent and women still at 39.4 per cent. Further the ethos of cost effectiveness and accountability proposed by the POA must be realised in the VIII Plan. Only then will the human resources structure rest on firm foundations. In higher education which provides the leadership for the economy, it is not more public funds that are needed. The capitation fees which have been declared illegal by the Supreme Court raises the question of how higher education can be financed by parents of (well to do) students and the business community. If capitation fees can be debited to an auditable account and

used solely for buildings, equipment and running expresses, it would be a means of reducing the unequal public subsidy of higher education, equipment and running experses, it would be a means of reducing the unequal public subsidy of higher education. Here universities and particularly autonomous colleges can take the lead in raising fees to adequate levels so that students and parents contribute their share of the cost of higher education.

Technical education

The health of education, the education and training of technicians, engineers, doctors, nurses and para medical personnel occupies a strategic place in developing human resources particularly in the work and contribution of engineers and technicians to industry and agriculture, the training of extension agents and management specialists. Here again there is a dilemma in maintenance of a few high level institution whether they be IITs, IIM-or PG medical Institutes and the need to provide more technicians, extension workers, medical personnel with the first degree. This dilemma has neither been addressed nor solved and till that is done our human resources will continue to creak and groan on the road to development.

Science

The shortage of funds has spread to the science fields, science. and technology, which are directly related to the development of human resources. On the one hand CSIR faces funds crunch and is dropping some projects (which may be good according to the last Abid Hussain review committee), on the other the Computer Society of India has taken the lead in spreading computer literacy and education and so relieving public funds from this area. The focus on setting up Electronic Hardware Technology Parks should be designed not only to attract multinational corporations but also to train our scientists and technologists to earn and pave their way in the most recent innovative developments. It is very important, therefore, that the public subsidy for setting up these parks should be terminated at the earliest; so that those parks pave their way in both earning foreign exchange and helping make the domestic industry internationally competitive. A similar but long range issue is the setting up by Anna University of the Institute to focus on issues such as environmental plan and management and assess, the needs of industries and user agencies in terms of environmental safeguards and management, which are sensitive to ecological issues so that we can begin to reverse the damage to our environment whose concentration on fast material development has caused. In this context, equally an attempt to correct gender injustice in our human resources development is the setting up of a national research centre for women in agriculture at Bhubaneswar to evolve suitable technologies to reduce the drudgery of rural women, — the most neglected part of our human resources in relation to their work on crops and livestock production, post harvest technology and integrated pest management. The month also records the successful launching of the surface to surface missile, Prithvi, at great cost but whose contribution to human resource development is in some doubt except its fall out effects. On the other hand, the National Chemical Laboratory has developed new technology for the manufacture of ethylbenzene with the collaboration of Vishakapatnam based Hindustan polymers, will push forward

plastics and synthetic rubber and the technology developed by the Nimbka Agriculture Research Institute in Maharashtra to use sugarcane leaves, millions of which go waste, to generate power and save our non existent foreign exchange on import of diesel are the kind of science and technology which build our human resources. Of the same order is the encouragement to the development of private sector to participate in wind energy in AP which should spread to other states.

Health

The health section of our human resources scenario is lagging far below science and technology application. The priority here is to contain the exploding growth of population which is around 16 per cent of world population living on 2.5 per cent of the earth's surface. Until the current trend is reversed of India contributing more to world population growth than China, which will be overtaken by 2050 AD at the present rate of population growth at 1754 million against China's 1690 million at that time, all talk about developing our human resources is without any substance. Why is this ? The reason is both at the top were there is a lack of political commitment (as the debtates in parliament show) and at the bottom at the family level, where producing a child is still seen as a means of augmenting the family income. What is needed is for government and parliament to take on the Family Planning Programme as a priority and for there to be sensible rise in the income of the family through more remunerative employment. One area of optimism and hope is the success of the immunisation programme under which an international expert evaluation tells us that polio and neo natal tetanus will be eradicated by 2000 AD. But the counterpart to this should be speeding up the time when there will be zero population growth rate.

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V. Employment and Labour Relations

On the 4th and last day of the Human Resources edifice, namely employment and condition of work, we are in the peculiar position of knowing what are the dimensions of the employment and unemployment problem broken down into main workers and marginal workers and also at state level as for instance in Tamil Nadu where the worker strengths has been established at 44.13 per cent of the population-at 2.45 crores out of a total population of 5.56-, which is a higher ratio than the all India one at 37.64 per cent. The census data also shows that state had 22 crores main workers and 15.8 lakh marginal workers. We also know the rural urban differential, with the rural proportion increasing from 46.48 in 1981 to 49.06 in 1991, with percentage of female workers decreasing in rural areas and increasing in urban areas. It is also known that Tamil Nadu has the second highest number of unemployed at 1344 out of 2000 usually unemployed. We have now set up a panel to assess medical manpower needs

and shall do the same for industrial manpower needs. We also know about the short term employment programmes like IRDP, NREP which give employment to the unemployed and underemployed. We also have worked out the strategy needed to attain full employment in 10 years. The 30th session of the Indian Labour Conference which concluded after reviewing the employment needs and unemployment backlog concentrated attention on labour production which is essential for the country to take its place in the competitive world and the merits or otherwise of the exit policy and redeployment of labour. There was no consensus on these issues, but there was a full discussion on the 3 main issues of productivity, exist policy and redeployment. Labour is no longer low cost in India, with organised workers making and obtaining regularly higher wages and allowances but unfortunately not compensating it with by producing more, so that India is in danger of becoming a high cost economy. On the question of exit policy, both the public sector units and private sector ones are over staffed and are turning into white elephants. The logic of an exit policy to be accepted by both labour and management is inexorable and must be faced. Similarly redeployment of surplus labour can become a viable measure, if the employment situation can develop-which is if economy, agriculture, industry and services grow so that they can provide for the redeployment of surplus labour and also provide employment to those entering the labour force, which is near 2 lakhs a month in the country. Certainly the omens are not favourable on this — with the 1991-92 growth rate at 2 per cent and the RBI projection that the 1992-93 growth rate will be 3.5 per cent, as noted earlier. Both at the national level and at the level of Tamil Nadu we need to move quickly to a rate of 5.6 per cent as projected in the VIII Plan because it has been computed that a maximum of 40 per cent of those needing employment are employed through the short term special programme, whereas the majority — 60 per cent are employment through the progress and development of industry and agriculture. Till this occurs, our human resources are not developing and that is for the poor country that India is and the large mass of the people living in poverty in this state estimated at over 48 per cent, a first priority. It is this that the Planning Commission both at the union and state levels should turn their attention to — developing the requisite strategy to this end.

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VI. Other Items

Unesco and International Literacy Day

As reported in the last issue the Unesco World Literacy Jury met in mid August and selected China, India and Guinea for the award of the 1992 literacy prizes. At the invitation of the government of Spain, this year's International Literacy day announcements on September 8 were made in Seville at the Universal Expo 1992, on which the government had invested several billion dollars, creating a large artificial lake and an attractive teleferique which went over the lake, and

organising an impressive function. Several countries including India had their pavillions at the Expo. At the main International Literacy Day function, the Director General of Unesco spoke about the message of the day which is the rapid abolition of illiteracy and presented the medals, and certificates to the 3 candidatures. The Under Secretary General of the United Nations also spoke along with the foreign minister of Spain. In the evening, the Jury's parliament was read out and the major features of this year's 35 submissions explained.

BBC

The BBC recorded in Tamil a 30 minute programme, in which the problem faced by India, Tamil Nadu and the World in the ecocomic field were discussed. The problem of inflation in India, the problem of recession in European countries, US and the consequent Balance of Payment problems created for India and the developing world were reviewed. The progress made in education in all countries and the unfinished tasks in India were also highlighted The programme has been broadcast to Tamil people all over the World, the West Indies, Mauritius, Singapore and Indonesia and to smaller Tamil groups in most other countries.

BGVS

The annual general body of the Bharat Gyan Vigyan Samiti, preceded, as usual, by its executive committee was held in Madras in mid September. The ongoing and rapidly increasing literacy programmes in 150 districts were briefly reviewed and the importance of starting on the post literacy programme so that the new literates continued their learning and do not lapse into illiteracy was stressed. The committee and the General Body congratulated Pondicherry on winning the Unesco King Sejon literacy award this year. BGVS which in Tamil is Arivoli Iyakkam made significant contribution to this end. The programme for the next year and the following 5 years was agreed upon, with major emphasis on the Hindi heartland where literacy is badly lagging.

TNSC S&T

The Tamil Nadu State Council of Science and Technology held a series of meeting in Madras in mid September. First, the executive committee met and reviewed the 6 completed projects and decided to send their reports to the government agencies responsible for implementation of those areas and after a further vetting by experts to publish two of the reports which are of wide general interest. It also reviewed the ongoing research projects and approved two further projects along with some travel grants and assistance for seminars in the coming months. On the following day, there was the meeting of the special council to approve the decision made by the general body last month relating to amendment to its charter involving including popularisation of science as one of its objectives as reported in the last issue. This special meeting was followed by an ordinary meeting of the council where the recommendation of the executive committee were reviewed and endorsed. The council received a report from the Member Secretary who had been requested to visit Tirunelveli and assess the possibility of starting further science centres in other districts. After reviewing the report, it was decided that the council itself should not start the centre as it did not have the

necessary resources but requested the council of museums to start a second centre, to start with, for which the state government will give land and other infrastructural facilities and the council some staffing help.

World Bank and Tamil Nadu

A delegation from the World Bank visited the Institute towards the end of September to exchange views on the state of agriculture in Tamil Nadu and India. In the exchanges, it was agreed that agricultural research and development as well as pricing and distribution policy as in the PDS was heavily influenced by the Green Revolution resulting in an over emphasis on the water intensive paddy production which a water starved state cannot afford. The neglect of dry farming particularly the substitute coarse grains needs attention. Another area that demands attention is the development of animal husbandry and non food crops which are being neglected.

Institute of Social Sciences

The Institute of Social Science, New Delhi organised on September 24 at 10 a.m. a symposium in memory of Prof. D. T. Lakdawala on Decentralised Planning which was one of his favourite theme. The chairman of MIDS who was invited to become chairman of the Institute presided, with three speakers, Ramakrishna Hedge, Ashish Dasgupta and George Fernandez. The symposium was held in the Conference hall of IIC. This was followed in the afternoon by meetings of the executive committee, the council and the General Body at which the 1991 programme of research, publications and seminars were reviewed and plans and programmes and the budget for 1992 and1993 were approved. The meeting paid homage to the memory of its late chairman, Prof. Lakdawala. What the Institute urgently requires is a building. At present its rented building is both costly and totally inadequate.

IIC

The India International Centre had its monthly panel discussion also on September 24 in the evening when the subject of review and discussion was the role of the financial institutions — IDBI and ICICI and others. The main finding was that at a time when the bank including the RBI, are being rocked by the Stock Exchange scandal involving several thousand crores of bank resources the financial institutions have been functioning normally, helping industrial and agriculture development. It was also agreed that the institutions need to be strengthened with more finance either from the government, which at present is not likely given the financial squeeze the government is practicing, or the primary stock exchange market. This should be pushed forward rapidly.

October Seminar

The paper, "Is Transportation a Hard Nut ?", by C. T. Sriramulu for the October seminar appears as the first article.

Second Article

Extracts of the Part I of a paper on "Gandhiji and the Indian Economy Today" appears as the second article.

Book Review

A review of the book, Class, State and Development in India by Nasir Tyabji appears in this section.

M I D S News

Mr. S. Guhan participated in the seminar on 'Issues before the Tenth Finance Commission' organised by the NIPFP in New Delhi on 19th October, 1992.

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Mr. S. Subramanian presented four lectures to M.Phil students at the Centre for Development Studies, Trivandrum over the period 27-10-1992 to 4-11-1992 on the subject of "Issues in the Measurement of Inequality and Poverty"

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Dr. T. N. Krishnan of the Centre for Development Studies, Trivandrum visited the Institute and gave a seminar on "Some Aspects of Population, Poverty and Employment in India" on 20th October, 1992.

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Dr. Arvind Sivaramakrishnan, Fellow, Centre for Economic and Social Studies, Hyderabad gave a seminar on 'The Public Sector, the Private Sector, and the Citizen's Judgement' on 31st October, 1992 at our Institute.

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October Seminar

Is Transportation A Hard Nut ?

Dr. C. T. Sriramulu
Retd. Professor, Anna University

Prelude

Life comes to existence because of transportation. Life ends with transportation. Living revolves around transportation inside a home or elsewhere which activity does not exist. Transportation is a repetative as well as an itinerant process.

Transportation is a perishable commodity. So, it should be utilised the moment it is made available. The vehicle or the mode with path (land, water or air) is to be used judiciously taking distance, cost, energy, travel time, comfort, convenience and environmental impact as parameters, for rating.

In real world situation, transporation refers to the movement of people and goods at a cost from one location to another where they are needed in appropriate modes at the time they are needed. The movement of people and goods may be voluntary or a forced one. Past evidence has clearly showed that movement's at various location are result oriented either productive or otherwise. At present, we are concerned with productive aspect of transportation for betterment of mankind.

Resources, Productivity and Prosperity

Natural resources, manpower and technology are the resources for productivity. Natural resources have two components namely expendable (flora, fauna, minerals aud crude oil) and non expendable (wind, rainfall. sun radiation and climatic changes). Man power has also two components namely physical strength and mental ability. Technological resources are comparatively recent in origin but their advances are tremondous. The utilisation of these three resources for agricultural, industrial productivity, services and prosperity of mankind

depends on the level of education of the people and the extent of transportation available at the local and regional levels.

To day, the disparity in the standards of living between developed countries and developing countries is attributed to the level of interaction between the three resources and the two catalysts namely educational level and the end of transportation facilities.

The fertile area for interplay of the resources and the catalysts is the urban area. Thus, the degree of urbanisation is directly related to productivity and economic activity. Though India had evidence of urbanisation over 2000 years or so, with relatively vast potential of natural and manpower resources, the lack of accessibility to efficient transportation and higher education in Science and Technology to the majority of our people made India, to be one amongst the poorest nations of the world. The vast terrain, the social and cultural segregations, scattered and small settlements until the second half of this century blocked the progress, productivity and prosperity of the people of this great and ancient county.

History of Transportation

Ancient transportation is land and sea based without any defined directions and measure of efficiency. Rail and air transportation systems brought seachange and order in the use of transportation facilities. The technology, higher motive power capacity, speed, safety, reliability, availability and affordability have provided varied options in owning and usage of different transport modes. New modes such as hovercraft, hydrofoil, helicopters, ropeways, cable cars, conveyer belts, trolley buses, light rail transit, vehicle enroute guidance, submarines and host of many alternative modes have come to compliment as well as suppliment the travel demand of people and goods, during peace time, war and natural calamities. Proven technology, electronic gadgets and non-metallic components upgraded the performance rating of both passenger cars and public transport vechiles. The performance is measured in cost and travel time per passenger kilometer for mobility of people and tonne kilometer for goods. Hypersonic planes, electronic guideway and automatic control cars, high speed magnetic levitation vehicles, personalised rapid transit modes will be reality for large scale use in the near future. Superconductors, energy efficient, cost effective, safety and remote automation, sensors are the key words in manufacture and use of future transport modes.

Transport Systems

Vehicles operating on a highway and street network is called road transport system. Similarly, carriages operated on a fixed track network is referred as railway transport system, sea and air transportation are the other two major systems. All other systems and many other sub-systems are generally termed transportation systems.

Planning for mobility of people and goods in a city or a region using mainly road and rail systems is generally referred as transportation planning. Broadly speaking, road and rail based operations of different modes are referred as transport systems. Bus transport system, sub-urban rail system, paratransit system, ferry services for passenger and goods in water bodies are the main transport systems in many major cities in India. In passenger transport, the main subsystems personalised vehicles (passenger vehicles) and transit vehicles such as buses trams and trains.

In freight transport, there are trucks, tankers, and special purpose vehicles. There are many variations in static and dynamic characteristics of different travel modes which are relevant in the design of pavement, railway track, runway and draft.

Transportation Planning

Planning is the task by foresight to meet the inevitable. As applied to orderly movement of people and goods in any city or a region which certain boundary constraints, this task is called transportation planning. This is made possible with application of socio-economic inputs, modelling techniques and viability of operation of transport systems. The computer and its pheripherals are very handy in data storage, costing, analysing and evaluation of acceptable systems.

The data inputs are population density, vehicle ownership, per capita income, employment, extend of land, financial resources, etc. The input of relevant data in the land use models give land use plan. The use of land for residential, Industrial, commercial, public and semi public purposes are obtained. Zoning of above uses of land for homogenity and compactness is the next stage. Using trip generation model, zonewise total number and categories of trips such as work, education, social and recreational purposes are calculated. Zones which generate large number of trips are called sources and the zones which attract significant number of trips are referred as sinks. Trips are also classified as home based and non-home based trips. Residential zones are trips generating zones and work places are attractive zones. The distance of travel between a generating zone and an attracting zone is a link. Thus, at the one end of the trip is the origin and the other end is the destination. Using trip distribution models, interzonal trips are calculated. Based on the cumulative value of trips between generating and attracting zones, desire lines of trips giving trip lengths and concentration are arrived.

The peak concentration is generally in the range of 10 to 12 per cent of total daily trips. The next stage is the use of model split model which gives the proportion of trips to be catered by road and rail transport systems in the desire line corridor. Then, with the use of assignment models, trips are assigned to various links in the road network in the corridor. The cumulative trips in each link should be well below the capacity of the link so that the flow of vehicles during peak condition is at reasonable speed, safety and tension free driving. If the existing capacity of the system to which the trips are assigned is inadequate, capacity improvements either by management techniques or by physical improvement have to be made. It is at this stage, factors other than technology, such as feasibility cost, environmental aspects, political influence, public response, land availability play a vital role. It is also at this stage, foresight and wisdom of experts in related areas, the legal aspects, sources of financing, the proposal benefits of investment are important consideration in rating alternative solutions. Operation research techniques and economic analysis are very useful tools to decide the best transportation plan.

Any time lag between decision making and execution of the plan may lead to cost escalation, litigation, loss of political patronage, and public criticism. In such a case, appropriate transport system management will be an effective remedy and a short range measure with minimum

delay at marginal cost. Care should be taken that this short range measure will be a component in the long range program.

Measurable Interaction of land use and Transport

Transport capability of a system is measured in terms of passenger kilometers per hour. In goods transport, it is measured in tonne kilometers per hour.

Land use activity is measured as number of people living per unit area in residential zones, number of jobs available per unit area in commercial zones, tonnes of cost of goods produced per unit area per day in Industrial zone, and output of food grains in tonnes per unit area per year in agricultural land.

Traffic science is the study of interaction between land use and transport in any location. It is the ability of transport planners and the experts in related areas to provide the transport capability to meet the land use activity in the location. Any change in one will affect the efficiency of the other. Historically transport capability is a delayed response to the land use activity which is not a healthy practice. In some cases, transport capability beings increased land use activity.

Experience in the last four decades of transportation planning and management in major cities in the world is that there is no one time solution or a sustained system/systems to balance demand and supply of travel. However, the concept of Transport System Management (TSM) as practiced in developed countries has brougt significant improvements in meeting travel demands. It is a quick response approach.

Many planners forget that walking is a mode of transport in meeting the travel demand. Cycles as the most energy efficient and least cost mode are also not given much importance. While formulating transport system planning, there is a case to consider these two important modes either for short trips or as a complement to other mass transport systems.

Transport System Management (TSM)

The TSM concept aimed at increasing the efficiency and capacity of existing facilities and right of way of the transport systems was introduced jointly by the Federal Highway Administration (FHWA) and Urban Mass Transportation Administration (UMTA) of USA in 1975. It has an important component of comprehensive transportation plan. The TSM should respond to current and future needs. The objectives of the TSM program are to reduce traffic congestion, facililate the flow of traffic and to preserve and revitalise mass transit systems. The following specific action plans are considered in the preparation of transportation system management.

* Improvement in traffic operations by traffic engineering methods.
* Preferential treatment for transit and other high occupancy vehicles (HOV).
* Appropriate provisions for pedestrians and bicycles.
* Management and control of parking.
* Staggering work hours and peak congestion pricing mechanism.
* Transit service improvements.
* Increase in transport management efficiency.

Classified Action Plans of TSM

Based on the concept and broad guidelines of TSM the classified action plans are listed below :

1. Traffic Management

It is aimed for better traffic flows with improved capacity of facilities.

[a) Traffic operations

* Geometric improvements of roads and intersections
* One way street system
* Provision of turning lanes
* Restrictive free turning
* Free flow lanes

(b) Traffic Control

* Optimising isolated signal timings
* Coordination and Improvement in route and area traffic signals
* Metering of high speed and high volume roads
* Surveillance and control of access control roads

(c) Roadway assignments

* Exclusive bus lanes
* Bus only streets
* Contra flow lanes
* Reversible lane systems

(d) Pedestrian and bicycle ways

Adequate width of footways
* Pedestrian grade seperation
* Bikeways, bike priority crossings and bike storage

2. Transit Management

It is aimed at patronising and improving transit riding.

(a) Transit Operations

* Bus route and schedule modification
* Express bus service

Bus priority signals
* Bus terminals

(b) Transit Management

* Simplified fare collection
* Demand oriented operations
* Improvements for passenger comfort and safety
* Fleet improvements
* Maintenance Management

(c) Inter model coordination

* Park and ride facilities for all travel modes
* Free and safe pedestrian flows with basic amenities
* Terminal and transfer improve.nents

3. Demand Management

It is aimed to discourage vehicle ownership and reduce trips.

(a) Paratransit operations

* Service of auto, taxi and other modes
* Car and van pool programs
* Jitney services
* Elderly and handicapped services

(b) Work schedule

* Staggering of work hours
* Changing of school timings
* Flexible working period
* Four-day week

4. Restrain measures

It is aimed to discourage vehicle trips by restrictive measures.

(a) Parking management

* Curb parking restrictions
* Clearways
* Metering of parking
* Off-sheet parking restrictions
* HOV preferential parking
* Entry restriction to high density land use

(b) Restricted areas

* Area licensing
* Auto restricted zones
* Pedestrian mall
* Residential traffic control

(c) Pricing

* Road pricing (tolls)
* Low occupancy vehicle toll.
* Petrol tax
* Differential transit fares
* Elderly and handicaped fares
* Reduce transit fares
* Free transit service

There is a strong case to implement many of the above classified action plans in all the major cities of India. Each city or a part therein may be taken for specific need based action plan for quick response.

Financing Transport Projects

The component value of transport sector in many countries ranges from 10 to 15% of their respective GDP. The expenses for the use of transport by each family are worked out to be around 10 to 15 per cent of the household income. However' there is always a shortage of finance required for improvements of the existing transportation facilities as well as the development of new facilities inspite of collecting central and state taxes, gross subsidy, grants and borrowings. The lack of adequate finance for the transport infrastructure is also very acute in almost all cities and major towns.

As regards, the inter-state and inter-regional transportation, the complexities are many. In this part of the country, highway network and the rail transport systems are running parallel and close to each other depriving accessibility to large extent of interior areas. The accessibility to rural settlements and cost effective transport of rural products are dreams to come true. The long coast line, its accessibility and the exploitation of sea based resources need capital and corporate planning. The Governments both at central and state levels, with the necessary political will, administrative machinery, skills of technocrats, expert financial advisers and public awareness should be able to see the light in the near future. Mobility of the body is as important as the mobility of mind. Let us think of the path (transportation facilities) for prosperity of people of this region as a whole.

Some Observations

" If you want a Road, you pay for it.

If you do not want a Road, you pay more".

We are fortunate to have our own satellites which provide the accurate and vast data for identifying water resources, soil fertility, locating minerals and oils, weather forecasting, forest cover, agricultural output, harvesting marine products and trends in population settlements. There is a great potential to use satellite photographs to map the current transportation facilities in the southern region and to improve and develop the total transportation systems, both surface based and airways for the smooth, safe and efficient movement of people and goods in and out of the southern region.

As regards the road planning, the coastal highway need upgradation for uninterupted flow of trucks. The missing links and substandard pavement of inter-state highways need priority in execution.

As regard the finance transport sector, privatisation is to be encouraged for construction and maintenance of regional and inter-regional highway network. A beginning has already been made which will be an indicator to future policy formulation.

Gandhiji and the Indian Economy*

Some definitions

I wish at the outset to set forth some of the features of the two subjects of this paper, Gandhiji and the Indian Economy today.

One Aspect of Gandhiji

Gandhiji in his living, thinking, teaching and in his death is an inexhaustible subject, with no beginning and no end. Out of this, his multifaceted life and personality, I wish to limit myself rather narrowly to only one facet, that is to Gandhiji's views on economic matters, with particular reference to the Indian Economy. I am not approaching the subject in terms of what has come to be called Gandhian Economics — a term coined even during his life time and in use even till today[1] — for two reasons.

First, Gandhiji is larger than economic science. He made it clear that he was not an economist in the professional sense. He had not read Adam Smith David Ricardo, the Mills, father and son and Alfred Marshall. He drew his thoughts on economic affairs from 3 sources. The first was his deep ethical — spiritual convictions, and the second was his close involvement with the economic conditions of the people, particularly the rural people who formed over 80 per cent of the people in the country in his day, the third was his reading and reflection and the results of his putting into action what he read of the Utopian's Ruskin's Unto This Last, and Tolstoy's The Kingdom of God is within you. It was from these 3 sources on which he reflected and acted from his South Africa days, resulting in a synthesis of his ethical/spiritual beliefs on Ahimsa and Truth alongside of the massive and baffling economic problems confronting him and the country. For him real progress was "moral progress', and to use his somewhat startling words "true economics stands for social justice and moral values".[2] His ideal of true economics which was to "manufacture souls" and not material plenitude is also expressed in his own unique language. "Let us seek first the Kingdom of God and His righteousness and the irrevocable promise is that everything will be added to us. These are the real economics".[3]

But we economists should realise that even as Gandhiji thought and expressed

* Part I of the Annual Gandhi Memorial Lecture by Dr. Malcolm S. Adiseshiah for the Gandhi Peace Foundation, New Delhi, January 30, 1992.

himself thus, he was adhering to one of the two streams from which economics has flowed and grown – the ethical on the one hand, and the engineering on the other, as one of the recent economic treatises reminds us.[4] The ethical tradition as pointed out is the ancient Indian way of approaching any human problem, a tradition which includes Kautilya and Valluvar and more recently Vivekananda and Tagore in India, and Mill, Marx and Marshall outside India. The engineering tradition is more recent and traces back to the French physiocrat, Quesnay, and our own Dadabhai Naoroji, and more recently to Leon Walras and the mathematical economists who have followed him. Gandhiji belonged to ethical tradition and affirmed his belief that economics is related to metaphysics and other human sciences with the resounding words : "I must confess that I do not draw a sharp or any distinction between economics and ethics. Ethics that hurts the moral wellbeing of an individual or a nation are immoral and therefore sinful. Thus the economics that permit one country to prey upon another are immoral". Incidentally I should say that I belong to the ethical tradition, because I am concerned with the ends as much as the means of living.

I said earlier that I do not use the term Gandhian Economics and what it implies doctrinally for two reasons. I have just explained the first reason. The second reason is that the laws of economics are not tied to one person or one group or one age. They are universal, or they are not laws. The application of these laws, however, vary with the time and place under consideration. The means of working and living in the first century AD are different from those existing in the nineteenth century: the needs for existence are perceived in one way by the people of the cold north and differently by the people of the warm tropics. Again the conditions of life and work change over time, so that the application of the economic principles which are universal, takes on different substance and form at different times and ages. Taking the principle of Justice, the case of Adam Smith might be considered. He is much maligned and continuously misunderstood as believing that human beings and society are motivated just by self interest in support of which his famous words are quoted "it is not from the benevolence of the butcher, the brewer or the baker that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self love and never talk to them of our necessities but of their advantage"[6]. But a *reading before and after* that passage shows that Smith believed that cooperation and assistance is the basis of human economic relation and that justice is not only the foundation of society, but the desire for justice is innate to human nature. Here the universalism of the principle of justice is affirmed by Smith. When Gandhiji applied this principle to India of his days he found that "the introduction of labour saving devices in a country with wolves at the doors is a flagrant injustice to its dumb population". Again while he used statistical averages he always modified them by giving the central place and the absolute importance to their individual and drew the attention of the economists to their moral responsibilities in this regard.[7] To speak of Gandhian economics is misleading because it is not economics which is Gandhian, but its application to our time and conditions as declared by Gandhiji's perception. This is similar to there being no Indian economics or American economics or Communist economics, but only the general economic principles as applied to India or

America or the communist system. I would therefore advise that we avoid using this misleading term and instead concentrate on the economic ideas, the economic teaching resulting in action, and the economic precepts of Gandhiji.

Five facets of the Indian Economy Today

Just as we limited ourselves to one aspect of Gandhiji, his economic precepts and practice, so too when it comes to today's Indian economy we shall limit ourselves to five issues; a) the Balance of Payments problem; b) the issue of inflation· c) the problem of unemployment and underemployment: d) inequalities in income and assets and ownership: and e) underground economy and the moral basis at the back of the whole economy. It would be my endeavour to look at each of these problems both quantitatively and qualitatively which are massive as they characterise our economy today and try to probe what Gandhi's reaction to them would have been. This second guessing of Gandhi and his reactions to the Indian Economy today is somewhat difficult and risky. It is difficult because it is not possible to just transpose Gandhiji's economic suggestions and solutions to the five problems facing us. We will have to establish in each case the core of the problem, and abstract from Gandhiji's economic precepts and the hard core which can then be mirrored to reflect on Gandhiji's possible reactions to the core of the problems. It is risky because the exercise is a personal one, and while there can be broad agreement on the core of each economic problem facing the country which can be derived from facts and statistical data, there is no such objective means of arriving at the core of Gandhiji's precepts relating to it, because that interpretation of what is regarded as the core of Gandhiji's thought could vary from person to person depending on many factors, which cannot be examined here. Even so, I believe given the grave situation in which the economy and we the people are caught, which is on all fours with the crisis facing Gandhiji and the people when we were under foreign rule, it is necessary to make this attempt to see what Gandhiji would say to us today, if he says anything at all. This last qualification, if says anything at all, should not be straightaway discarded, because in some cases the problems may well be beyond the limits to which the core of Gandhiji's precepts could be pushed.

With this background scenario on Gandhiji and the Indian Economy of today, let us analyse briefly each one of the five issues characterising our economy and determining our lives, particularly the lives of those whom in Gandhiji's days used to be described by our rulers-both foreign and Indian" - as India's dumb millions" who need to be roused from their "pathetic contentment."

Balance of Payments Problem

The balance of payments problem arise out of cumulative excess of our imports over our exports. In the 46 years of our independence and functioning of our economy, it is only in two years that there has been an excess of our exports over our imports. This trade deficit which has been built up cumulatively has, in part, been met by our invisible imports-mainly the remittances from our fellow countrymen and women working abroad particularly in the Gulf countries, the concessional loans made to us by foreign countries and some

profits that our companies abroad earned. The other part has been met by our international commercial borrowing. Now in the past two years these invisibles have declined sizeably and our credit in the international commercial market is near zero, so that we are not able to borrow intensely abroad: this means that the only means of paying for our imports and the interest and capital repayments of our foreign debts (which exceed $80 billion or Rs.1 lakh crore today) is our exports and our heavy borrowing from the two international financial institution, the IMF and the World Bank. Take the $6.6 billion of loans subscribed this year by the Aid India Consortium, which comprises 12 countries and the World Bank. The loans offered by the foreign government which amount to $3 billion have to be used to buy machinery and raw materials from within the lending country. As for the other $3 billion subscribed by the World Bank and the $5 to 7 billion on long term credit being negotiated by us with the International Monetary Fund, the 5 conditions under which these loans are being offered and quite clearly and openly explained by the Managing Director of the Fund when he visited India in August last are: i) government expenditure to be reduced so that the government's deficit is cut from the current 8.7 per cent of GDP (the National income) to 4 per cent, which involves deep cuts in subsidies which will hurt the poor and reduced defence outlay; 2) trade reforms to be intensified removing all non tariff barriers on imports into the country; 3) tax reform involving reducing customs duties and raising excise duties which will raise prices and hit the poor and lower middle classes; 4) industrial policy reform involving introducing an "exit policy" under which all sick public and private companies will be closed which will increase unemployment and transfer all production increasingly to the private corporate companies; and 5) reducing prices of infrastructure while increasing rail and airfares, crude oil prices, coal prices etc. which will further feed inflation and affect the poor. On top, even these loans give only temporary relief because they have to be repaid within five to 10 years (this is called long term credit) from our export earning. Hence there is very heavy concentration on increasing our exports. We have created an entire ministry-the Ministry of Commerce - which, till the beginning of the seventies was concerned with internal commerce, paying continuous attention to khadi and village industries, as seen in the report of the Khadi and Village industries committee in February 1968[9] chaired by the minister Ashok Mehta. (incidentally by this time the khadi industry had shifted its emphasis from the Gandhian directive that it should be mainly (upto 80 per cent) for self sufficiency of the spinner and his family, and only a small part of spinning for the market, to 4 per cent being for self sufficiency and 96 per cent for the market (see the Ashok Commission report para 2. 19). Now, particularly the commerce ministry seems to have just one aim, that is to export and export and export without any let up. We have created five organs for this purpose, the Export Processing Zones, the Export Oriented units, the Trading Houses, Star Trading Houses and Ex-Imp Scrips. And yet our exports are not increasing but decreasing by 4.2 per cent from $8652.66 million in April - September 1990 to $8113.32 million in April - September 1991, according to the commerce ministry. One means that we have devised of obtaining some relief from our export not increasing has been to invite direct foreign investment, for which given foreign companies the right

to invest upto 51 per cent in Indian companies and in some cases even upto 100 per cent. The latest government report is that as a result so far only $ 85 million foreign investment has come in (compared to $ 2 billion in China and $ 1.5 billion in Indonesia). The Foreign Investment Promotion Board just set up by government as a clearing agency for multinational investment has not had much business and so has taken the initiative to invite 3 US giants — Coco Cola, General Electric and General Motors — to submit concrete proposals to the Board. Against this bind that we have got ourselves into in regard to our import-export trade and particularly the problem of paying for our imports which is one particular manifestation of our consuming more than we are producing, that we are spending more than we are earning, let us turn to Gandhiji's ideas on foreign trade as expounded by him in relation to Swadeshi and Khadi when he says "the centre of Swadeshi lay in Khadi" and that Swadeshi is "that spirit in us which restricts us to the use and service of our immediate surrounding to the exclusion of the more remote".[16] For Gandhiji the spinning wheel was not only the key to Swaraj but among its 9 other objectives, it would check the erosion of our wealth to foreign countries and he expressed this thought vividly in saying that the spinning wheel was deployed both for promoting the spirit of Swadeshi and carrying out the boycott of foreign cloth, describing these two uses as the benign and terrible aspects of the spinning wheel. Kumarappa carries this doctrine forward and says the commodities produced within a community should be for domestic consumption and only its surplus shoud be exported. Some communities may have some residue after satisfying their domestic requirements. This he calls the natural surplus which excludes trading abroad in goods needed by the people of the country. It is not possible today to go back to the system expounded by Gandhiji and elaborates by Kumarappa. But the export of vegetables and fruits badly needed by the poor people (vegetarians) of South India to the Gulf countries, the export of rice to those countries at a time when the majority go to bed every night hungry, the government's decision to set apart a percentage of the production — say 30 per cent in the case of tea - for exports, all these should be examined in light of what we have learnt from Gandhiji. For me, the core in his view on external trade is that we — all of us, government, parliament; business houses and people, particularly economists — need to face the basic question, what is the purpose of our exports ? We go on pushing ourselves and our people to export more and more on the plea that we are now part of a "globalised" trading world, we need to ask what is the purpose of our exports. For me, the answer is that we must export enough to i) pay the interest and part of the principal on our debts (which today amount to $ 80 million) and ii) to pay for absolutely essential imports, (particularly those for our infrastructure) which should exclude all consumption goods which should be produced within the country. All that we are doing to reduce unnecessary imports - unnecessary in the sense that they are used to produce non necessaries and luxury goods - should continue and be intensified but the main question that we must face is the purpose of exports. For the answer to that question indicates that using the above two criteria, our present level of exports is adequate and can even be reduced in terms of the necessities like the exports of rice, vegetables and increasing tea packages that we are exporting.

Inflation Problem

Currently we measure the rate of inflation by the wholesale price index, which till 3 years ago was around 5 per cent per annum, and is now at 15 per cent per annum, and despite what the government forecasts is likely to remain at that level, because the seasonal downswing ended last month. December 1991, and despite a good monsoon this year continuing the good record for the past 2 years, prices will remain at the high current level. For the poor man, (and let us not forget that when we talk about the poor man we are talking about 60-70 per cent of our people), for the man in the street and for the housewife who does the daily shopping, it is not the exotic wholesale price index which guides his/her daily life and shopping, it is the retail prices, where the index shows double of what the wholesale price index shows and so is at 30 per cent. As noted, we have had a good monsoon and a bumper harvest for the last 2 years (which for this year is expected at the same level of 175 million tonnes of foodgrains as that of last year) and the buffer stock of wheat and rice has already passed 20 million tonnes. Despite this, the prices of rice and wheat are rising and are being kept down in the public distribution system (which does not reach the really needy rural poor) through heavy government subsidy which as noted earlier the international financial institution want to see reduced. The price rise on rice and wheat is also a consequence of their export to the Gulf countries as noted earlier. Further, the government has got the Reserve Bank to follow a tight money policy to the point where the medium, small and tiny entrepreneur is not able to keep up his production and is forced to lay off part of his workforce. Interest rates have been hiked which makes such borrowing as is permitted very costly for the small farmer and the industrial producer. The one area which need attention and early action is government expenditure particularly what is called non development expenditure which include the salary of the government staff (union, state and local bodies) which increased last year by 1100 persons and Rs.3000 crores, the defence outlay where the increase last year was by Rs.3000 crores, subsidies on fertilisers and exports. Turning to Gandhiji's idea on prices, they are related to his doctrine of small scale and village industries and his approach was formulated as a slogan "to render unto villages what was due to them". In particular, his doctrine of village self sufficiency brings the process of production and consumption together and reduces the importance of the price mechanism. The village self sufficiency holds the key to the prosperity of both the soil and the inhabitants living on it. Healthy nourishing food is the alpha and omega of the rural economy. The bulk of a peasant's family budget goes to feed himself and his family. All other things come afterwards. Let the tiller of the soil be well fed. Let him have a sufficiency of fresh, pure milk and ghee and oil, fish, eggs and meat if he is a non vegetarian. What could fine clothes for instance, avail him, if he is ill nourished and underfed? The question of drinking water supply and other things come next[11]. In such a scheme of self contained communities, aggregate expenditure would be equal to the aggregate income and there would be no leakages and no question of overpricing or underpricing. The basic core in this view of Gandhiji concerning our problem of inflation is that we have to start with the need to limit our demand

and marketing to what is necessary for our living. Until there is some limitation of wants, there can be no break in the price spirit. All the other measures that we have taken, such as decreasing the supply of money, increasing its cost for the large industries, the promotion of small, tiny industry which is dealt in the next section, and the agreement on cutting government expenditure sharply needs to be built on our examining our way of life and limiting our wants to what is necessary for our living. Without that basic foundation all other remedies will involve harsh hardships, particularly on the poor consumer and tiny producer and farmer and will not really arrest inflation and reverse it.

(To be concluded)

Book Review

BERCH BERBEROGLU (Ed.) *Class, State and Development in India*.
(Sage, New Delhi : 1992), pp 330, Rs. 275/- (hb) and Rs. 145/- (pb)

This book consists of nine essays, together with an editorial introduction, and an appendix containing a discussion on the political economy of Indian development. The essays deal with, principally, the evolution of the Indian social formation in the colonial period, the political characteristics of the capitalist class, and of the social groups in the rural areas, the forms of opposition to these ruling sections from peasants, workers, and tribal people, and a relatively detailed treatment of the process of concentration of capital during industrialisation, and of women's role in industrial employment.

The pieces are not original, most of them having been published in journals dealing with the political economy of development, such as the Journal of Contemporary Asia, the Bulletin of Concerned Asian Scholars and Social Scientist. They are all also rather old, dealing with fairly familiar issues and with data of the middle 1980s, if not earlier. It is then fairer to the (presumed) intention of the editor, to treat the book as a set of readings on Indian Political Economy suitable for the MA or M.Phil level, rather than as new contributions to our understanding. In this sense, the book comes across rather well. As most of the pieces were written with a non Indian audience in mind, there are few assumptions made, except of course, on the perspective that the reader is expected to have. The issues are discussed with a degree of clarity that is rarely to be found in Indian journals. There is also a welcome plurality within the left-wing perspective that all the contributors share.

It certainly requires some commercial courage to publish a book basing itself straight-forwardly on Marxian political economy principles, in 1992. Perhaps we may conclude from this that the remarkable institution of the market shows greater prescience than all the sophisticated political obituaries of Marxism by the Fukuyamas of this world ! What is missing in the book, which would have made it truly a volume of the 1990s, however, is any discussion of the new forms of opposition to the earlier social consensus, broadly speaking that of Nehruvian socialism, secularism and ethnic / nationality policies. Plausible explanations for the growth of protest movements for greater autonomy for linguistic groups, against large scale development projects threatening the environment and livelihoods, for equality of opportunity in employment, and for the undoubted growth in the mass support to communal politics are the critical requirements of the day. They would be the real test for "the relevance of the Marxist approach to the study of Indian society" which the editor states to be his objective. In their absence, Marxism may well recede, at least in academic life, to the status of yet another challenge to capitalist liberalism, promoted by crackpot messiahs, that Fukuyama rightly sees as of no enduring world historical significance. The academic community surely has its own role to play in preventing this.

— Nasir Tyabji

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